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APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
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EXAMINER

FELTEN, DANIEL S

ART UNIT

PAPER NUMBER

3624

DATE MAILED: 05/31/2005

Please find below and/or attached an Office communication concerning this application or proceeding.

Office Action Summary	Application No.	Applicant(s)	
	09/718,749	LACOMBE ET AL.	
	Examiner	Art Unit	
	Daniel S Felten	3624	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If the period for reply specified above is less than thirty (30) days, a reply within the statutory minimum of thirty (30) days will be considered timely.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☐ Responsive to communication(s) filed on 07 February 2005.
- 2a) ☒ This action is **FINAL**. 2b) ☐ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-119 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-119 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☐ The drawing(s) filed on _____ is/are: a) ☐ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
2. ☐ Certified copies of the priority documents have been received in Application No. _____.
3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).
- * See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|---|---|
| 1) <input type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413) |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | Paper No(s)/Mail Date. _____ |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO-1449 or PTO/SB/08) | 5) <input type="checkbox"/> Notice of Informal Patent Application (PTO-152) |
| Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

1. Receipt of the Amendment filed February 07, 2005 is acknowledged. Claims 1-119 remain pending in the application and are presented to be examined upon their merits.

Response to Arguments

2. Applicant's arguments filed February 07, 2005 have been fully considered but they are not persuasive.

Regarding 35 USC § 101 Rejection

The 35 USC § 101 Rejection from the previous office action is maintained. This response is to substantiate the Examiner's position regarding the previous rejection. As the applicant has asserted, a security *does* (admittedly) satisfy the Diamond v. Chakrabarty criteria of "*anything under the sun made by man*." However, under the realm of patents, this is not literally true. The United States Constitution under Art. I, § 8, cl. 8 gave Congress the power to "[p]romote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries". In carrying out this power, Congress authorized under 35 U.S.C. §101 a grant of a patent to "[w]hoever invents or discovers any new and useful process, machine, manufacture, or composition or matter, or any new and useful improvement thereof." Therefore, a fundamental premise is that a patent is a statutorily created vehicle for Congress to confer an exclusive right to the inventors for "*inventions*" that promote the progress of "*science and the useful arts*". The phrase "*technological arts*" has been

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created and used by the courts to offer another view of the term "*useful arts*". See *In re Musgrave*, 167 USPQ (BNA) 280 (CCPA 1970). Hence, the first test of whether an invention is eligible for a patent is to determine if the invention is within the "*technological arts*".

Further, despite the express language of §101, several judicially created exceptions have been established to exclude certain subject matter as being patentable subject matter covered by §101. These exceptions include "laws of nature", "natural phenomena", and "abstract ideas". See *Diamond v. Diehr*, 450, U.S. 175, 185, 209 USPQ (BNA) 1, 7 (1981). However, courts have found that even if an invention incorporates abstract ideas, such as mathematical algorithms, the invention may nevertheless be statutory subject matter if the invention as a whole produces a "useful, concrete and tangible result." See *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* 149 F.3d 1368, 1973, 47 USPQ2d (BNA) 1596 (Fed. Cir. 1998).

This "two prong" test was evident when the Court of Customs and Patent Appeals (CCPA) decided an appeal from the Board of Patent Appeals and Interferences (BPAI). See *In re Toma*, 197 USPQ (BNA) 852 (CCPA 1978). In *Toma*, the court held that the recited mathematical algorithm did not render the claim as a whole non-statutory using the Freeman-Walter-Abele test as applied to *Gottschalk v. Benson*, 409 U.S. 63, 175 USPQ (BNA) 673 (1972). Additionally, the court decided separately on the issue of the "technological arts". The court developed a "technological arts" analysis:

The "technological" or "useful" arts inquiry must focus on whether the claimed subject matter...is statutory, not on whether the product of the claimed subject matter...is statutory, not on whether the prior art which the claimed subject matter purports to replace...is statutory, and not on whether the claimed subject matter is presently perceived to be an improvement over the prior art, e.g., whether it "enhances" the operation of a machine. *In re Toma* at 857.

In *Toma*, the claimed invention was a computer program for translating a source human language (e.g., Russian) into a target human language (e.g., English). The court found that the claimed computer implemented process was within the "technological art" because the claimed invention was an operation being performed by a computer within a computer.

The decision in *State Street Bank & Trust Co. v. Signature Financial Group, Inc.* never addressed this prong of the test. In *State Street Bank & Trust Co.*, the court found that the "mathematical exception" using the Freeman-Walter-Abele test has little, if any, application to determining the presence of statutory subject matter but rather, statutory subject matter should be based on whether the operation produces a "useful, concrete and tangible result". See *State Street Bank & Trust Co.* at 1374. Furthermore, the court found that there was no "business method exception" since the court decisions that purported to create such exceptions were based on novelty or lack of enablement issues and not on statutory grounds. Therefore, the court held that "[w]hether the patent's claims are too broad to be patentable is not to be judged under §101, but rather under §§102, 103 and 112." See *State Street Bank & Trust Co.* at 1377. Both of these analysis goes towards whether the claimed invention is non-statutory because of the presence of an abstract idea. Indeed, *State Street* abolished the Freeman-Walter-Abele test used in *Toma*. However, *State Street* never addressed the second part of the analysis, i.e., the "technological arts" test established in *Toma* because the invention in *State Street* (i.e., a computerized system for determining the year-end income, expense, and capital gain or loss for the portfolio) was already determined to be within the technological arts under the *Toma* test. This dichotomy has been recently acknowledged by the Board of Patent Appeals and Interferences (BPAI) in affirming a §101 rejection finding the claimed invention to be non-statutory. See *Ex parte Bowman*, 61 USPQ2d (BNA) 1669 (BdPatApp&Int 2001), non-precedential but cited for its reasoning.

The applicant has claimed a method for securitizing retail lease assets. In the present application, claims 1, 25, 48, 72 and 96 have no connection to the technological arts. None of the steps indicate any connection to a computer or technology. The steps of “*Creating a leasing company; acquiring leases from dealers into the leasing company; issuing a financial asset to fund such acquisition; securing the financial asset; and transferring the financial asset to a securities-issuing entity; and offering a security backed by pools of financial assets*” can be performed manually by a human without the use of any technology. The acts of creating, acquiring, issuing, transferring and offering do not provide sufficient weight within the claim to provide a technological basis because the process

Therefore, the claims are directed towards non-statutory subject matter. To overcome this rejection the Examiner recommends that Applicant amend the claims to better clarify which of the steps are being performed within the technological arts, such as incorporating steps which involve the use of a computer or data processor in accordance.

Regarding the Declaration under 37 CFR § 1.131

3. The evidence submitted is insufficient to establish a reduction to practice of the invention in this country or a NAFTA or WTO member country prior to the effective date of the Whitworth ‘129 reference. The examiner can not tell from the evidence submitted when the invention was reduced to practice so as to be able to determine whether the declaration precedes the Whitworth reference, or any other prior art. Therefore the rejection from the previous office action is maintained. The previous rejection is provided below for the applicant’s convenience.

Claim Rejections - 35 USC § 103

1. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

2. Claims 1-119 are rejected under 35 U.S.C. 103(a) as being unpatentable over Whitworth (US 6,622,129) and Kravitt et al., "Overcoming the Legal barriers to Auto Lease Securitization", May 1, 1995 in view of each other.

Whitworth discloses issuing a financial asset to fund the acquisition of the leases creating a nominee titleholder and a registered lien on each leased vehicle transferring the financial asset to a securities-issuing entity (see Whitworth, col. 5, ll. 17-27 and 45-49);

As in claims 3, 26, 50, 74 and 98 including the step of financially supporting the leasing company separate from manufacturer of the vehicle and the financier of the vehicle (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3),

As in claims 4, 27, 51, 75 and 99, wherein the step of acquiring leases from dealers includes funding the lease acquisition primarily by borrowing against the security of first priority perfected security interests in each lease and vehicle (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3),

As in claims 5, 28, 52, 76 and 100 including underwriting each financial asset with respect to a single retail consumer vehicle lease transaction (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3),

As in claims 6, 30, 53, 77 and 101, including securing the financial asset by the lease (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3),

As in claims 7, 31, 54, 78 and 102, including securing the financial asset by the vehicle related to the specific financial asset (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3),

As in claims 11, 34, 58, 82 and 106, wherein the step of transferring the financial asset includes the step of granting a security interest to each purchaser of a secured note in the vehicle and lease related to such note (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3),

As in claims 12, 35, 59, 83 and 107, wherein the step of issuing a financial asset includes supporting the financial asset by revenues from individual consumer leases (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3),

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As in claims 13, 36, 60, 84 and 108 wherein the step of issuing a financial asset includes supporting the financial asset by revenues from security interests in vehicles (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3),

As in claims 14, 37, 61, 85 and 109 wherein the step of issuing a financial asset includes supporting the financial asset by credit enhancement under a termination value insurance policy (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3),

As in claims 15, 38, 62, 86 and 110 including the step of making payments due on the financial asset (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3),

As in claims 16, 39, 63, 87 and 111 wherein the step of making payments due on the financial asset includes representing a pro-rata portion of both the payments due under the lease and the residual value of the related leased vehicle as of the date of lease inception (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3),

As in claims 17, 40, 64, 88 and 112, including the step of fixing the interest rate on the financial asset at inception (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3),

As in claims 18, 65, 89 and 113, The method for securitizing retail lease assets of claim 88 further wherein the step of fixing the interest rate On the financial asset at inception further includes basing the interest rate with respect to a particular retail consumer vehicle lease transaction on rates generally applicable to similar consumer transactions at the time of issuance (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3)

As in claims 19, 42, 66, 90 and 114, including the step of predetermining the payment schedule on the financial asset to match the expected cash flow generated by each related consumer transaction (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3)

As in claims 20, 43, 67, 91, 115, including the step of the leasing company investing in the financial asset (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3)

As in claims 21, 44, 68, 92 and 116, including the step of assigning the title of a vehicle to a special-purpose nominee trust (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3)

As in claims 22, 45, 69, 93 and 117 including the step of efficiently allocating loss coverage to achieve higher protection with lower effective insurance coverage (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3)

As in claims 23, 46, 70, 94 and 118, wherein the step of offering a security backed by the financial asset further includes offering the security via a registered public offering (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3)

As in claims 24, 47, 71, 95 and 119, wherein the step of offering a security backed by the financial asset further includes offering the security via an exempt private placement transaction (see Whitworth, Abstract, col. 5, ll. 17 to col. 8, ll. 3)

Kravitt discloses, as in claims 1, 25, 48, 72 and 96, a method for securitizing retail lease assets comprising: creating a leasing company which acquires leases from dealers (see Kravitt, 3.1, "State Law Titling Issues", page 3, paragraph 4),

Kravitt discloses obtaining termination value guarantees (see Kravitt, "incentive programs");

Kravitt discloses offering a security backed by pools of the financial assets (see "titling trust" or "Ford Credit Auto Lease Trust", page 4, paragraph 2-6),

As in claims 8, 32, 55, 79 and 103, including securing the financial asset by a front-end equity contribution by the leasing company (see Kravitt, 3.1, "state law titling issues, page 3, paragraph 4),

As in claims 9, 33, 56, 80 and 104, wherein the step of obtaining termination value guarantees includes securing each financial asset at the time of inception by a termination value (including residual value) insurance policy (see Kravitt, "incentive programs"),

As in claims 10, 57 and 81, wherein the step of securing each financial asset includes obtaining security concurrently with the inception of the lease transaction (see Kravitt, "incentive programs"),

As in claims 73 and 97, including the step of obtaining termination value guarantees (see Kravitt, "incentive programs", page 2, paragraph 6+)

In view of Kravitt's teaching it would have been obvious to an artisan at the time of the invention to employ the teaching of Kravitt into the teachings of Whitworth because an artisan at the time of the invention of Whitworth would have understood and recognized the "ins and outs" of automobile lease securitization as taught by Kravitt as well as the particular drawbacks and legal barriers one would experience in such transactions. Thus one of ordinary skill in the art at the time of Whitworth would have been motivated to pursue alternative methods (such as backed pools, trustor equity contribution (residual value)), etc.) for securitizing retail lease assets to provide a greater opportunity and a greater success for such transactions. Thus the aforementioned teachings asserted in Kravitt would have provided obvious alternatives to create lease securitizations, being an obvious expedient to one of ordinary skill in the art.

On the other hand, it would have been obvious to an artisan from the Kravitt article to recognize the notoriously old and well known lease securitization practices, as well as, the various limitations and legal barriers associated with Auto lease securitization. One of ordinary skill in the art would also be familiar with the terms or "risk" and "collateral" of various forms and how collateral is used to minimize risk by securing loans. Therefore an artisan of ordinary skill in the art would be motivated to use the various financial instruments taught in Whitworth as collateral to secure leases (leases being understood as an alternative form of a loan). Thus such a modification would be an obvious expedient well within the ordinary skill in the art.

Conclusion

3. **THIS ACTION IS MADE FINAL.** Applicant is reminded of the extension of time policy as set forth in 37 CFR 1.136(a).

A shortened statutory period for reply to this final action is set to expire **THREE MONTHS** from the mailing date of this action. In the event a first reply is filed within **TWO MONTHS** of the mailing date of this final action and the advisory action is not mailed until after the end of the **THREE-MONTH** shortened statutory period, then the shortened statutory period will expire on the date the advisory action is mailed, and any extension fee pursuant to 37 CFR 1.136(a) will be calculated from the mailing date of the advisory action. In no event, however, will the statutory period for reply expire later than **SIX MONTHS** from the mailing date of this final action.

Any inquiry concerning this communication or earlier communications from the examiner should be directed to Daniel S Felten whose telephone number is (703) 305-0724. The examiner can normally be reached on Flex.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, Vincent Millin can be reached on (703) 308-1065. The fax phone number for the organization where this application or proceeding is assigned is 703-872-9306.

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Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free).



DSF
May 23, 2005

Daniel S Felten
Examiner
Art Unit 3624

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